

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT  
PLEASANTVILLE, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2005

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PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2004 Election)		
Jeffrey Beier	President	2006
Thomas Adreon	Vice President	2004
Mark Thompson	Board Member	2004
Robert Johns	Board Member	2005
Troy Padellford	Board Member	2005
<u>Board of Education</u>		
(After September 2004 Election)		
Jeffrey Beier	President	2006
Thomas Adreon	Vice President	2007
Robert Johns	Board Member	2005
Troy Padellford	Board Member	2005
Mark Thompson	Board Member	2007
<u>School Officials</u>		
David Isgrig	Superintendent	2008
Robert Friday	District Secretary/Treasurer	2005
Pat Meyers	Attorney	Indefinite
Dickinson, Mackaman, Tyler & Hagen, P.C.	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Pleasantville Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Pleasantville Community School District, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Pleasantville Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2005 on our consideration of Pleasantville Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 40 through 42 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pleasantville Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
October 19, 2005

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## Basic Financial Statements

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 702,697	\$ 12,651	\$ 715,348
Receivables:			
Property tax:			
Current year	34,286	-	34,286
Succeeding year	1,590,000	-	1,590,000
Income surtax	203,553	-	203,553
Accounts	8,883	-	8,883
Due from other governments	203,948	-	203,948
Inventories	-	5,094	5,094
Restricted ISCAP assets (note 5):			
Investments	1,003,928	-	1,003,928
Accrued interest receivable	4,574	-	4,574
Capital assets, net of accumulated depreciation (note 6)	3,991,475	10,740	4,002,215
Total assets	7,743,344	28,485	7,771,829
Liabilities			
Salaries and benefits payable	429,332	-	429,332
Accrued interest payable	5,039	-	5,039
ISCAP warrants payable (note 5)	1,000,000	-	1,000,000
ISCAP accrued interest payable (note 5)	4,912	-	4,912
ISCAP unamortized premium	8,749	-	8,749
Deferred revenue:			
Succeeding year property tax	1,590,000	-	1,590,000
Long-term liabilities (note 7):			
Portion due within one year:			
Early retirement	4,265	-	4,265
Notes payable	90,000	-	90,000
Bonds payable	150,000	-	150,000
Capital lease	18,233	-	18,233
Real estate contract payable	6,000	-	6,000
Portion due after one year:			
Early retirement	1,716	-	1,716
Notes payable	490,000	-	490,000
Bonds payable	575,000	-	575,000
Real estate contract payable	24,000	-	24,000
Total liabilities	4,397,246	-	4,397,246



PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 2,638,242	\$ 10,740	\$ 2,648,982
Restricted for:			
Management levy	103,947	-	103,947
Physical plant and equipment levy	57,876	-	57,876
Other special revenue purposes	39,996	-	39,996
Debt service	16,678	-	16,678
Capital projects	93,388	-	93,388
Unrestricted	395,971	17,745	413,716
Total net assets	\$ 3,346,098	\$ 28,485	\$ 3,374,583

See notes to financial statements.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular instruction	\$ 2,327,616	\$ 170,291	\$ 201,734
Special instruction	967,259	61,870	97,570
Other instruction	543,718	341,080	100,639
	<u>3,838,593</u>	<u>573,241</u>	<u>399,943</u>
Support services:			
Student services	102,746	-	-
Instructional staff services	129,272	-	-
Administration services	528,872	-	-
Operation and maintenance of plant services	450,147	663	-
Transportation services	186,102	-	-
	<u>1,397,139</u>	<u>663</u>	<u>-</u>
Non-instructional programs	<u>38,583</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	274,619	-	-
Long-term debt interest and fiscal charges	55,946	-	-
AEA flowthrough	183,306	-	183,306
Depreciation (unallocated) *	109,576	-	-
	<u>623,447</u>	<u>-</u>	<u>183,306</u>
Total governmental activities	5,897,762	573,904	583,249
Business-Type Activities:			
Non-instructional programs:			
Food service operations	<u>264,841</u>	<u>157,796</u>	<u>105,475</u>
Total	\$ 6,162,603	\$ 731,700	\$ 688,724

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (1,955,591)	\$ -	\$ (1,955,591)
(807,819)	-	(807,819)
(101,999)	-	(101,999)
(2,865,409)	-	(2,865,409)
(102,746)	-	(102,746)
(129,272)	-	(129,272)
(528,872)	-	(528,872)
(449,484)	-	(449,484)
(186,102)	-	(186,102)
(1,396,476)	-	(1,396,476)
(38,583)	-	(38,583)
(274,619)	-	(274,619)
(55,946)	-	(55,946)
-	-	-
(109,576)	-	(109,576)
(440,141)	-	(440,141)
(4,740,609)	-	(4,740,609)
-	(1,570)	(1,570)
(4,740,609)	(1,570)	(4,742,179)

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005

Functions/Programs

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General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

\* = This amount excludes the depreciation that is included  
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 1,397,316	\$ -	\$ 1,397,316
177,943	-	177,943
162,172	-	162,172
222,858	-	222,858
301,090	-	301,090
2,466,137	-	2,466,137
10,579	-	10,579
51,843	-	51,843
4,789,938	-	4,789,938
49,329	(1,570)	47,759
3,296,769	30,055	3,326,824
<u>\$ 3,346,098</u>	<u>\$ 28,485</u>	<u>\$ 3,374,583</u>

## PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2005

	General	Nonmajor Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Funds</u>	<u>Funds</u>
Assets			
Cash and pooled investments	\$ 494,843	\$ 207,854	\$ 702,697
Receivables:			
Property tax:			
Current year	26,108	8,178	34,286
Succeeding year	1,195,000	395,000	1,590,000
Income surtax	203,553	-	203,553
Interfund receivable (note 3)	-	25,000	25,000
Accounts	8,883	-	8,883
Due from other governments	122,075	81,873	203,948
Restricted ISCAP assets (note 5):			
Investments	1,003,928	-	1,003,928
Accrued interest receivable	4,574	-	4,574
	<u>3,058,964</u>	<u>717,905</u>	<u>3,776,869</u>
Total assets	\$ <u>3,058,964</u>	\$ <u>717,905</u>	\$ <u>3,776,869</u>
Liabilities and Fund Balances			
Liabilities:			
Salaries and benefits payable	429,332	-	429,332
Interfund payable (note 3)	25,000	-	25,000
ISCAP warrants payable (note 5)	1,000,000	-	1,000,000
ISCAP accrued interest payable (note 5)	4,912	-	4,912
ISCAP unamortized premium	8,749	-	8,749
Deferred revenue:			
Succeeding year property tax	1,195,000	395,000	1,590,000
Other	203,553	-	203,553
Total liabilities	<u>2,866,546</u>	<u>395,000</u>	<u>3,261,546</u>
Fund balance:			
Reserved for:			
Debt service	-	21,717	21,717
Unreserved:			
Reported in nonmajor Special Revenue Funds	-	207,800	207,800
Undesignated	192,418	93,388	285,806
Total fund balances	<u>192,418</u>	<u>322,905</u>	<u>515,323</u>
Total liabilities and fund balances	\$ <u>3,058,964</u>	\$ <u>717,905</u>	\$ <u>3,776,869</u>

See notes to financial statements.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2005

Total fund balances of governmental funds	\$ 515,323
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,991,475
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	203,553
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(5,039)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,359,214)</u>
Net assets of governmental activities	<u>\$ 3,346,098</u>
See notes to financial statements.	

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2005

	General	Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 1,545,013	\$ 716,141	\$ 2,261,154
Tuition	202,346	-	202,346
Other	99,283	362,125	461,408
State sources	2,878,737	-	2,878,737
Federal sources	141,269	-	141,269
Total revenues	4,866,648	1,078,266	5,944,914
Expenditures:			
Current:			
Instruction:			
Regular instruction	2,216,838	114,808	2,331,646
Special instruction	958,763	-	958,763
Other instruction	217,250	326,468	543,718
	3,392,851	441,276	3,834,127
Support services:			
Student services	102,746	-	102,746
Instructional staff services	129,272	-	129,272
Administration services	524,227	-	524,227
Operation and maintenance of plant services	450,505	-	450,505
Transportation services	195,510	-	195,510
	1,402,260	-	1,402,260
Non-instructional programs	38,583	-	38,583
Other expenditures:			
Facilities acquisition	-	338,881	338,881
Long term debt:			
Principal	-	225,000	225,000
Interest and fiscal charges	-	57,828	57,828
AEA flowthrough	183,306	-	183,306
	183,306	621,709	805,015
Total expenditures	5,017,000	1,062,985	6,079,985
Excess (deficiency) of revenues over (under) expenditures	(150,352)	15,281	(135,071)



PLEASANTVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2005

	General	Nonmajor Governmental Funds	Total
Other financing sources (uses):			
Sale of equipment	\$ 1,952	\$ -	\$ 1,952
Interfund transfers in	-	104,468	104,468
Interfund transfers out	-	(104,468)	(104,468)
Total other financing sources (uses)	<u>1,952</u>	<u>-</u>	<u>1,952</u>
Net change in fund balances	(148,400)	15,281	(133,119)
Fund balances beginning of year	<u>340,818</u>	<u>307,624</u>	<u>648,442</u>
Fund balances end of year	<u>\$ 192,418</u>	<u>\$ 322,905</u>	<u>\$ 515,323</u>

See notes to financial statements.

## PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ (133,119)

Amounts reported for governmental activities in the statement of activities  
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 119,468	
Depreciation expense	<u>(172,365)</u>	(52,897)

Certain income surtax not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the statement of activities. 225

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 266,812

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 1,882

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 3,926

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but increase long-term liabilities in the statement of net assets and do not affect the statement of activities. (37,500)

Change in net assets of governmental activities \$ 49,329

See notes to financial statements.

## PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

## PROPRIETARY FUND

June 30, 2005

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 12,651
Inventories	5,094
Capital assets, net of accumulated depreciation	<u>10,740</u>
Total assets	<u>28,485</u>
Liabilities	
None	<u>-</u>
Net Assets	
Invested in capital assets, net of related debt	10,740
Unrestricted	<u>17,745</u>
Total net assets	<u>\$ 28,485</u>

See notes to financial statements.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUND  
 Year Ended June 30, 2005

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>157,796</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	68,766
Benefits	16,146
Purchased services	435
Supplies	177,538
Depreciation	<u>1,956</u>
	<u>264,841</u>
Operating loss	<u>(107,045)</u>
Non-operating revenues:	
State sources	3,889
Federal sources	<u>101,586</u>
Total non-operating revenues	<u>105,475</u>
Change in net assets	(1,570)
Net assets beginning of year	<u>30,055</u>
Net assets end of year	\$ <u><u>28,485</u></u>

See notes to financial statements.

## PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 Year Ended June 30, 2005

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 145,422
Cash received from miscellaneous operating activities	12,374
Cash payments to employees for services	(84,912)
Cash payments to suppliers for goods or services	<u>(166,241)</u>
Net cash used in operating activities	<u>(93,357)</u>
Cash flows from non-capital financing activities:	
State grants received	3,889
Federal grants received	<u>89,303</u>
Net cash provided by non-capital financing activities	<u>93,192</u>
Net decrease in cash and cash equivalents	(165)
Cash and cash equivalents beginning of year	<u>12,816</u>
Cash and cash equivalents end of year	<u>\$ 12,651</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (107,045)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,956
Commodities used	12,283
(Increase) in inventories	<u>(551)</u>
Net cash used in operating activities	<u>\$ (93,357)</u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2005, the District received \$12,283 of federal commodities.	
See notes to financial statements.	

## PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2005

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>171,767</u>	\$ <u>40,613</u>
Liabilities:		
Due to other governments	<u>-</u>	\$ <u>40,613</u>
Net assets:		
Reserved for scholarships	\$ <u>171,767</u>	

See notes to financial statements.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2005

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 167,733	
Interest	<u>52</u>	
Total additions	<u>167,785</u>	
Deductions:		
Support services:		
Scholarships awarded		<u>22</u>
Change in net assets	167,763	
Net assets beginning of year		<u>4,004</u>
Net assets end of year	\$ <u>171,767</u>	
See notes to financial statements.		

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

Pleasantville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Pleasantville, Iowa, and agricultural territory in Marion and Warren Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Pleasantville Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Pleasantville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marion County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.



PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter, to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	1,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse employees for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2005.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the support services and other expenditures functional areas exceeded the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 2. Cash and Pooled Investments (continued)

At June 30, 2005, the District had the following investments:

	<u>Fair Value</u>
U.S. government bonds	\$ <u>167,500</u>

The investments in U.S. government bonds are valued at fair value.

Interest risk rate – The District’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit Risk – The investments in the U.S. government bonds is not subject to risk categorization.

Note 3. Interfund Receivable/Payable

A summary of interfund receivables and payables is as follows:

Amounts due to other receivables/payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue Fund		
Physical Plant and Equipment Levy	General Fund	\$ <u>25,000</u>

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue:	
	Physical Plant and Equipment Levy	\$ <u>104,468</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05B	1/28/2005	1/27/2006	\$ 326,942	\$ 4,429	\$ 326,000	\$ 4,762
2005-06A	6/30/2005	6/30/2006	676,986	145	674,000	150
Total			<u>\$ 1,003,928</u>	<u>\$ 4,574</u>	<u>\$ 1,000,000</u>	<u>\$ 4,912</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-05A	\$ -	\$ 300,000	\$ 300,000	\$ -

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%
2004-05B	3.500%	3.232%
2005-06A	3.500%	3.903%

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 27,000	\$ 37,500	\$ -	\$ 64,500
Capital assets being depreciated:				
Buildings	5,138,287	-	-	5,138,287
Improvements other than buildings	265,572	-	-	265,572
Furniture and equipment	1,347,557	81,968	-	1,429,525
Total capital assets being depreciated	6,751,416	81,968	-	6,833,384
Less accumulated depreciation for:				
Buildings	1,386,213	108,971	-	1,495,184
Improvements other than buildings	260,730	606	-	261,336
Furniture and equipment	1,087,101	62,788	-	1,149,889
Total accumulated depreciation	2,734,044	172,365	-	2,906,409
Total capital assets being depreciated, net	4,017,372	(90,397)	-	3,926,975
Governmental activities capital assets, net	\$ 4,044,372	\$ (52,897)	\$ -	\$ 3,991,475

During the year ended June 30, 2005, the District made some reclassification corrections within the capital asset accounts. Acquisition costs and accumulated depreciation totaling \$5,178 were reclassified from buildings to equipment; \$8,510 and \$6,383, respectively, from improvements other than buildings to buildings; and \$5,825 and \$3,495, respectively, from improvements other than buildings to equipment. These reclassifications had no effect on total acquisition costs or accumulated depreciation for capital assets.



PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 6. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 26,064	\$ -	\$ -	\$ 26,064
Less accumulated depreciation	13,368	1,956	-	15,324
Business-type activities capital assets, net	<u>\$ 12,696</u>	<u>\$ (1,956)</u>	<u>\$ -</u>	<u>\$ 10,740</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular	\$ 20,659
Special	8,496

Support services:

Administration	4,645
Operation and maintenance of plant services	3,992
Transportation	24,997
	<u>62,789</u>
Unallocated depreciation	<u>109,576</u>

Total governmental activities depreciation expense \$ 172,365

Business-type activities:

Food service operations	<u>\$ 1,956</u>
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PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Early Retirement	Capital Loan Note	General Obligation Bonds	Capital Leases	Real Estate Contract	Total
Balance beginning of year	\$ 9,907	\$ 665,000	\$ 865,000	\$ 52,545	\$ -	\$ 1,592,452
Additions	-	-	-	-	37,500	37,500
Reductions	3,926	85,000	140,000	34,312	7,500	270,738
Balance end of year	<u>\$ 5,981</u>	<u>\$ 580,000</u>	<u>\$ 725,000</u>	<u>\$ 18,233</u>	<u>\$ 30,000</u>	<u>\$ 1,359,214</u>
Due within one year	<u>\$ 4,265</u>	<u>\$ 90,000</u>	<u>\$ 150,000</u>	<u>\$ 18,233</u>	<u>\$ 6,000</u>	<u>\$ 268,498</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be between the ages of fifty-five and sixty and employees must have completed fifteen years of full-time service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the difference between the employee's current salary and the base salary schedule, less any other additional pay or supplemental pay. The retired employee may also continue participation in the District's health insurance group at the employee's own expense. The District paid \$3,926 in early retirement benefits during the year ended June 30, 2005. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Capital Loan Notes

Details of the District's June 30, 2005 general obligation capital loan notes is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest
2006	2.35 %	\$ 90,000	\$ 17,425
2007	2.65	90,000	15,310
2008	2.95	95,000	12,925
2009	3.20	100,000	10,122
2010	3.30	100,000	6,923
2011	3.45	105,000	3,622
Total		<u>\$ 580,000</u>	<u>\$ 66,327</u>

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 7. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
2006	4.300 %	\$ 150,000	\$ 31,940
2007	4.350	150,000	25,490
2008	4.400	160,000	18,965
2009	4.500	165,000	11,925
2010	4.500	<u>100,000</u>	<u>4,500</u>
Total		<u>\$ 725,000</u>	<u>\$ 92,820</u>

Capital Lease

On August 5, 2003, the District entered into a capital lease agreement for computer equipment. The original amount of the lease was \$54,778 and calls for three annual payments of \$19,467 with an effective annual finance cost of \$6.1%.

Details of the District's June 30, 2005 capital lease obligations are as follows:

<u>Year Ending June 30,</u>	<u>Leasae Dated August 5, 2003</u>
2006	\$ 19,467
Less: Amount representing interest	<u>(1,234)</u>
	<u>\$ 18,233</u>

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 7. Long-Term Liabilities (continued)

Real Estate Contract

On July 1, 2004, the District entered into a real estate contract for the purchase of land. The acquisition cost of the land was \$37,500 with \$7,500 paid on July 1, 2004. The contract calls for five equal annual installment payments of \$7,122 with an effective annual interest rate of 6%.

Details of the District's June 30, 2005 real estate contract obligations are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 5,322	\$ 1,800	\$ 7,122
2007	5,641	1,481	7,122
2008	5,980	1,142	7,122
2009	6,339	783	7,122
2010	6,718	404	7,122
Total	\$ <u>30,000</u>	\$ <u>5,610</u>	\$ <u>35,610</u>

Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$177,919, \$174,223, and \$167,972 respectively, equal to the required contributions for each year.

Note 9. Risk Management

Pleasantville Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$183,306 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Subsequent Event

On September 1, 2005 the District issued \$1,495,000 of School Infrastructure Sales and Services Tax Revenue Bonds with interest rates from 3.75% to 4%. The proceeds from the issuance will be used for various school improvement projects.

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## Required Supplementary Information

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds  
and Proprietary Fund  
Required Supplementary Information  
Year Ended June 30, 2005

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
RECEIPTS:					
Local sources	\$ 2,832,448	\$ 157,796	\$ 2,990,244	\$ 2,649,371	\$ 340,873
State sources	2,892,717	3,889	2,896,606	3,131,452	(234,846)
Federal sources	135,299	101,586	236,885	172,000	64,885
Total receipts	5,860,464	263,271	6,123,735	5,952,823	170,912
DISBURSEMENTS:					
Instruction	3,826,138	-	3,826,138	4,219,825	393,687
Support services	1,581,082	-	1,581,082	1,550,000	(31,082)
Non-instructional programs		263,436	263,436	387,927	124,491
Other expenditures	657,529	-	657,529	602,604	(54,925)
Total disbursements	6,064,749	263,436	6,328,185	6,760,356	432,171
Excess (deficiency) of receipts over (under) disbursements	(204,285)	(165)	(204,450)	(807,533)	603,083
Other financing sources, net	1,952	-	1,952	-	1,952
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(202,333)	(165)	(202,498)	(807,533)	605,035
Balance beginning of year	905,030	12,816	917,846	1,328,944	(411,098)
Balance end of year	\$ 702,697	\$ 12,651	\$ 715,348	\$ 521,411	\$ 193,937

See accompanying independent auditor's report.



PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
Required Supplementary Information  
Year Ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 5,860,464	\$ 84,450	\$ 5,944,914
Expenditures	6,064,749	15,236	6,079,985
Net	(204,285)	69,214	(135,071)
Other financing sources (uses)	1,952	-	1,952
Beginning fund balances	905,030	(256,588)	648,442
Ending fund balances	<u>\$ 702,697</u>	<u>\$ (187,374)</u>	<u>\$ 515,323</u>
	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 263,271	\$ -	\$ 263,271
Expenses	263,436	1,405	264,841
Net	(165)	(1,405)	(1,570)
Beginning net assets	12,816	17,239	30,055
Ending net assets	<u>\$ 12,651</u>	<u>\$ 15,834</u>	<u>\$ 28,485</u>

See accompanying independent auditor's report.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, no amendments were made to the budget.

During the year ended June 30, 2005, disbursements in the support services and other expenditures functions exceeded the amounts budgeted.

## Other Supplementary Information

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2005

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Assets				
Cash and pooled investments	\$ 108,444	\$ 39,996	\$ 29,684	\$ 18,215
Receivables:				
Property tax:				
Current year	1,484	-	3,192	3,502
Succeeding year	82,000	-	148,000	165,000
Interfund receivable	-	-	25,000	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 191,928</u>	<u>\$ 39,996</u>	<u>\$ 205,876</u>	<u>\$ 186,717</u>
Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	<u>\$ 82,000</u>	<u>\$ -</u>	<u>\$ 148,000</u>	<u>\$ 165,000</u>
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	-	21,717
Unreserved:				
Undesignated	109,928	39,996	57,876	-
Total fund equity	<u>109,928</u>	<u>39,996</u>	<u>57,876</u>	<u>21,717</u>
Total liabilities and fund equity	<u>\$ 191,928</u>	<u>\$ 39,996</u>	<u>\$ 205,876</u>	<u>\$ 186,717</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 11,515	\$ 207,854
-	8,178
-	395,000
-	25,000
<u>81,873</u>	<u>81,873</u>
\$ <u>93,388</u>	\$ <u>717,905</u>

\$            - \$ 395,000

-	21,717
<u>93,388</u>	<u>301,188</u>
<u>93,388</u>	<u>322,905</u>
\$ <u>93,388</u>	\$ <u>717,905</u>

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2005

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Revenues:				
Local sources:				
Local tax	\$ 74,936	\$ -	\$ 162,172	\$ 177,943
Other	5,339	341,463	15,323	-
Total revenues	80,275	341,463	177,495	177,943
Expenditures:				
Current:				
Instruction:				
Regular instruction	114,808	-	-	-
Other instruction	-	326,468	-	-
Other expenditures:				
Facilities acquisition	-	-	131,179	-
Long term debt:				
Principal	-	-	-	225,000
Interest and fiscal charges	-	-	-	57,828
Total expenditures	114,808	326,468	131,179	282,828
Excess (deficiency) of revenues over (under) expenditures	(34,533)	14,995	46,316	(104,885)
Other financing sources (uses):				
Interfund transfers in	-	-	-	104,468
Interfund transfers out	-	-	(104,468)	-
Total other financing sources (uses)	-	-	(104,468)	104,468
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(34,533)	14,995	(58,152)	(417)
Fund balances beginning of year	144,461	25,001	116,028	22,134
Fund balances end of year	\$ 109,928	\$ 39,996	\$ 57,876	\$ 21,717

See accompanying independent auditor's report.

<u>Capital Projects</u>		<u>Total</u>	
\$	301,090	\$	716,141
	-		362,125
	<u>301,090</u>		<u>1,078,266</u>
	-		114,808
	-		326,468
	207,702		338,881
	-		225,000
	-		57,828
	<u>207,702</u>		<u>1,062,985</u>
	93,388		15,281
	-		104,468
	-		(104,468)
	<u>-</u>		<u>-</u>
	93,388		15,281
			<u>307,624</u>
\$	<u>93,388</u>	\$	<u>322,905</u>

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary Book Fair	\$ 2,320	\$ 6,229	\$ 6,491	\$ 2,058
Elementary Fundraiser	17,078	20,553	18,503	19,128
Special Trips	7,278	3,497	3,588	7,187
Library Club	187	1,802	1,589	400
Industrial Arts club	(3,998)	708	1,262	(4,552)
Vocal	3,420	15,694	15,609	3,505
Elementary Band	(2,778)	2,598	3,095	(3,275)
Athletic Resale	(3,287)	-	-	(3,287)
Vocational Agriculture Club	(6,130)	4,088	3,725	(5,767)
HS Band	(1,333)	4,224	4,656	(1,765)
Drill Team	(2,150)	1,524	1,985	(2,611)
Athletics - Summer Program	(327)	-	-	(327)
Athletics - Summer Program	(9,303)	90,370	102,447	(21,380)
Activity Concessions	12,777	19,159	17,346	14,590
North	1,659	2,389	2,407	1,641
High School Lounge	372	1,820	2,004	188
Yearbook	(27,051)	9,276	18,425	(36,200)
Clubs:				
E. Student Council	314	-	-	314
JH Student Council	2,263	1,904	1,911	2,256
Student Council	1,636	3,854	4,974	516
Future Farmers of America	5,466	27,205	29,829	2,842
National Honor Society	765	502	1,135	132
Future Business Leaders	546	-	58	488
Cheerleaders	166	10,566	9,642	1,090
Spanish	2,822	1,688	1,102	3,408
Science	33	97	73	57
Rifle Club	(44)	240	299	(103)
Economic Club	-	-	-	-
Student Activities:				
Postage	91	-	-	91
Class of:				
2000	398	-	-	398
2001	181	-	-	181
2002	494	-	-	494
2003	8	-	-	8
2004	432	-	-	432
2005	635	1,785	2,151	269
2006	349	6,411	5,993	767
2007	(16)	666	-	650
2008	14	-	-	14



PLEASANTVILLE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
D.C. Trip	\$ 3,726	\$ 75,666	\$ 50,380	\$ 29,012
TAG	927	-	-	927
Band and Drill Team	-	-	-	-
Band/Vocal/Art Confederation	3	-	-	3
Home Ec	831	155	258	728
Art/Photo	2,242	672	1,343	1,571
Savings	8,314	383	-	8,697
Community Service	(1,693)	-	-	(1,693)
Plays	2,749	5,568	3,191	5,126
Social Studies	(210)	-	-	(210)
Community Resources	834	6,750	256	7,328
Student Council Resale - Trojan Track	510	8,914	6,843	2,581
High Fundraising	1,481	4,506	3,898	2,089
Total	\$ 25,001	\$ 341,463	\$ 326,468	\$ 39,996

See accompanying independent auditor's report.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2005

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ <u>          -          </u>	\$ <u>      215,872      </u>	\$ <u>      175,259      </u>	\$ <u>      40,613      </u>
Liabilities				
Due to other governments	\$ <u>          -          </u>	\$ <u>      215,872      </u>	\$ <u>      175,259      </u>	\$ <u>      40,613      </u>

See accompanying independent auditor's report.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 2,261,154	\$ 1,889,789	\$ 1,862,612	\$ 1,827,897
Tuition	202,346	164,052	155,116	146,699
Other	461,408	327,636	414,170	382,386
State sources	2,878,737	2,918,647	3,067,690	3,889,054
Federal sources	141,269	160,112	82,734	92,365
Total revenues	<u>\$ 5,944,914</u>	<u>\$ 5,460,236</u>	<u>\$ 5,582,322</u>	<u>\$ 6,338,401</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,331,646	\$ 2,304,107	\$ 2,399,545	\$ 2,359,605
Special instruction	958,763	905,470	679,491	755,498
Other instruction	543,718	459,607	524,948	538,626
Support services:				
Student services	102,746	119,321	121,708	130,695
Instructional staff services	129,272	154,099	127,368	120,164
Administration services	524,227	459,203	427,568	440,199
Operation and maintenance of plant services	450,505	405,369	415,469	357,297
Transportation services	195,510	135,203	156,861	191,055
Central and other support services	-	12,055	-	-
Non-instructional programs	38,583	227	44,944	33,874
Other expenditures:				
Facilities acquisition	338,881	332,757	1,891,319	218,040
Long-term debt:				
Principal	225,000	220,000	130,000	125,000
Interest and fiscal charges	57,828	64,930	63,499	54,647
AEA flowthrough	183,306	186,651	197,604	196,418
Total expenditures	<u>\$ 6,079,985</u>	<u>\$ 5,758,999</u>	<u>\$ 7,180,324</u>	<u>\$ 5,521,118</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
Pleasantville Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pleasantville Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 19, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pleasantville Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-B-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pleasantville Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part I of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Pleasantville Community School District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Pleasantville Community School District and other parties to whom Pleasantville Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Pleasantville Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
October 19, 2005

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

- I-A-05 Disbursement Approval – We noted that the Board did not approve one General Fund disbursement (of 24 tested), one Special Revenue, Student Activity Fund disbursement (of five tested), and one Agency Fund disbursement (of one tested).

Recommendation – Chapter 279.29 of the Code of Iowa provides that “the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claims therefore has been audited and allowed.” In accordance with an Attorney General’s opinion dated July 12 ,1979, “no claim can be paid until the board has taken action of the claim. Logically, no final action can be taken on the claim until all of the specifics of the claims have been examined and verified.” Therefore, all claims for all funds should be examined, approved and listings initialed by the Board prior to any disbursements, and all amounts provided to the Board should be accurate.

Response – We will approve all disbursements for all funds as required.

Conclusion – Response acknowledged. We would like to stress the importance of this function of the Board as a supervisory body. This step serves as one of the best protections a school district has against any possible irregularities and the Board should review all claims and furnish evidence of that review.

Reportable Conditions:

- I-B-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal, check signing, payroll preparations, and bank reconciliations were all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- I-C-05 Financial Condition – At June 30, 2005, the Student Activity Fund had several accounts with deficit balances.

Recommendation – The District should continue to monitor the Student Activity accounts and investigate alternatives to eliminate the remaining deficits.

Response – We are working on this. We plan to continue improving the situation.

Conclusion – Response accepted.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

- I-D-05      Support Documentation – We noted three of eleven receipts specifically tested in the General Fund which had no supporting documentation as to date received, dollar amount, and purpose, other than a bank deposit slip. We also noted four disbursements of forty tested that had no supporting documentation or lacked full documentation, such as invoices or receipts, and trip destination, mileage and purpose of trip for mileage reimbursements.

Recommendation – The District should require all receipts be properly supported as to when received, the dollar amount, and the purpose behind the receipt to protect the underlying asset and insure timely and accurate recording of revenues. The District also should require full supporting documentation before making any disbursements or obtain and document Board approval to make a payment with the understanding the necessary documentation will be subsequently provided. All mileage reimbursement requests should include date, destination, purpose of the trip and miles driven.

Response – We will consider these suggestions and will change our receipt and disbursement procedures so that all support documentation is retained and documented. We obtained support documentation for all receipts subsequent to year end and will keep such documentation in the future.

Conclusion – Response accepted.

- I-E-05      Coding Error – We noted one Federal grant that was coded to a state source when receipted by the District. We also noted that one receipt recorded by the District should have been credited to a receivable account but was coded twice to the revenue account. The expenditures related to three Federal grants were not assigned federal program codes.

Recommendation – All State and Federal grants should be assigned a specific program code (usually assigned by the State) to track the revenue and expenditures through the District's financial system to determine compliance with grant requirements. The District should properly assign this program number to all grant revenues and expenditures in the future.

Response – We will use the proper program numbers in the future to facilitate the tracking of grant revenues and expenditures.

Conclusion – Response accepted.

- I-F-05      Untimely Deposits – We noted two receipts that were not timely deposited by the District. The time elapsed between actual receipt and deposit ranged from twelve to twenty-six days.

Recommendation – All receipts should be timely deposited within, at most, one week of the date of receipt. The District would therefore maximize interest earnings and better protect the underlying asset.

Response – We will examine the procedures we use for making deposits and we will make the necessary changes to insure timely deposits.

Conclusion – Response accepted.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

I-G-05      Fundraiser Support – We noted that the District requires no reconciliations to be completed for fundraising activities.

Recommendation – The District should require all sponsors or supervisors to complete a reconciliation of any fundraising activity. The reconciliation should match total sales to receipts and deposits, compare items purchased to items sold, and calculate the profit ratio for the activity.

Response – We will compile a reconciliation worksheet and will require this reconciliation to be completed and reviewed in the future.

Conclusion – Response accepted.



PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

- II-A-05 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- II-B-05 Certified Budget – Disbursements for the year ended June 30, 2005, exceeded the amounts budgeted in the support services and other expenditures functions.
- Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response – We will amend our budget before disbursements exceed the budget.
- Conclusion – Response accepted.
- II-C-05 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-D-05 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-05 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-F-05 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-05 Board Minutes – Except as previously discussed in item I-A-05, no transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-05 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-05 Certified Annual Report – The Certified Annual Report was timely filed with the Department of Education. However, we noted some material differences in the balance sheet and income statement areas.
- Recommendation – The District should contact the Department of Education to determine how to correct this situation.
- Response – We will contact the Department of Education and resolve the situation.
- Conclusion – Response accepted.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting (continued):

- II-K-05 Accommodating Purchases – We noted that the District was purchasing computers to be resold to District employees at cost.

Recommendation – District purchases made solely for resale to employees violates State of Iowa sales tax laws in that the District makes these purchases as a tax-exempt entity, but then resells the items back to non-exempt employees. This practice also serves to overstate the District's revenues and expenditures because the transactions are not the District's. The practice of these accommodating purchases for employees should be discontinued.

Response – We were unaware that this practice was not allowed. The practice will be eliminated in the future.

Conclusion – Response accepted.

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